



# *Tennessee Education Lottery*

## *Estimates for Net Lottery Proceeds & After-School Funding*

*Prepared by:*

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*December 10, 2013*





# *Historical Results*

	<i><b>FY09-10</b></i>	<i><b>FY10-11</b></i>	<i><b>FY11-12</b></i>	<i><b>FY12-13</b></i>
<i><b>Total Revenue</b></i>	\$1,064,551,086	\$1,106,678,193	\$1,221,573,973	\$1,280,366,277
<i><b>Prize Expense</b></i>	\$664,041,523	\$695,149,156	\$770,568,219	\$812,547,301
<i><b>Retailer Commissions</b></i>	\$74,331,114	\$77,456,838	\$85,525,965	\$89,258,881
<i><b>Operating Expense</b></i>	\$15,139,680	\$15,698,291	\$17,212,674	\$16,916,511
<i><b>Other Expenses</b></i>	\$35,060,222	\$36,527,537	\$37,917,640	\$40,101,263
<i><b>Total Expenses</b></i>	\$788,572,539	\$824,831,822	\$911,224,498	\$958,823,956
<i><b>Net Lottery Proceeds</b></i>	\$275,978,547	\$281,846,371	\$310,349,475	\$321,542,321
<i><b>After-School Funding</b></i>	\$12,893,630	\$11,643,581	\$13,089,186	\$18,170,504
<i><b>Total State Proceeds</b></i>	\$288,872,177	\$293,489,952	\$323,438,661	\$339,712,825





# *FY12-13*

	<b>FY11-12</b>	<b>FY12-13</b>	<b>Growth Rate</b>	<b>Dollar Growth</b>
<b>Instant Games (Net)</b>	\$955,253,709	\$996,423,521	4.3%	\$41,169,812
<b>Cash 3 and Cash 4</b>	\$85,667,148	\$86,382,831	0.8%	\$715,683
<b>PB, MM, &amp; Hot Lotto</b>	\$156,708,747	\$167,542,663	6.9%	\$10,833,916
<b>Tennessee Cash</b>	\$19,222,943	\$24,871,472	29.4%	\$5,648,529
<b>Misc. Revenue</b>	\$4,721,426	\$5,145,790	9.0%	\$424,364
<b>TOTAL NET REVENUE</b>	\$1,221,573,973	\$1,280,366,277	4.8%	\$58,792,304
<b>Less: Total Expenses</b>	\$911,224,498	\$958,823,956	5.2%	\$47,599,458
<b>NET LOTTERY PROCEEDS</b>	<u>\$310,349,475</u>	<u>\$321,542,321</u>	3.6%	<u>\$11,192,846</u>
<b>After-School Proceeds</b>	\$13,089,186	\$18,170,504	38.8%	\$5,081,318
<b>TOTAL STATE PROCEEDS</b>	<u>\$323,438,661</u>	<u>\$339,712,825</u>	5.0%	<u>\$16,274,164</u>





## *Instant Game Growth in FY12-13*

<b>Price Point</b>	<b>Percent of Instant Game Sales</b>	<b>FY11-12 Gross Sales (Millions)</b>	<b>FY12-13 Gross Sales (Millions)</b>	<b>Percent Sales Growth</b>	<b>Dollar Growth (Millions)</b>
\$1	8.9%	\$105.1	\$96.4	-8.3%	-\$8.7
\$2	21.1%	\$235.8	\$229.7	-2.6%	-\$6.1
\$3	7.3%	\$74.3	\$79.4	6.9%	\$5.1
\$5	24.8%	\$278.3	\$270.3	-2.9%	-\$8.0
\$10	15.6%	\$150.0	\$169.7	13.1%	\$19.7
\$20	18.8%	\$206.2	\$204.6	-0.8%	-\$1.6
\$25	3.6%	\$0.0	\$39.0	N/A	\$39.0





## *Powerball Growth in FY12-13*

- *FY11-12 sales: \$102,751,152*
- *FY12-13 sales: \$133,207,374*
- *FY12-13 dollar growth: + \$30,456,222*
- *FY12-13 percent growth: + 29.6%*

<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$200.0 Million or More</i>	<i>Jackpot Winners</i>
FY11-12	\$86,100,000	\$336,400,000	8	13
FY12-13	\$121,600,000	\$590,500,000	16	15







## *Mega Millions Growth in FY12-13*

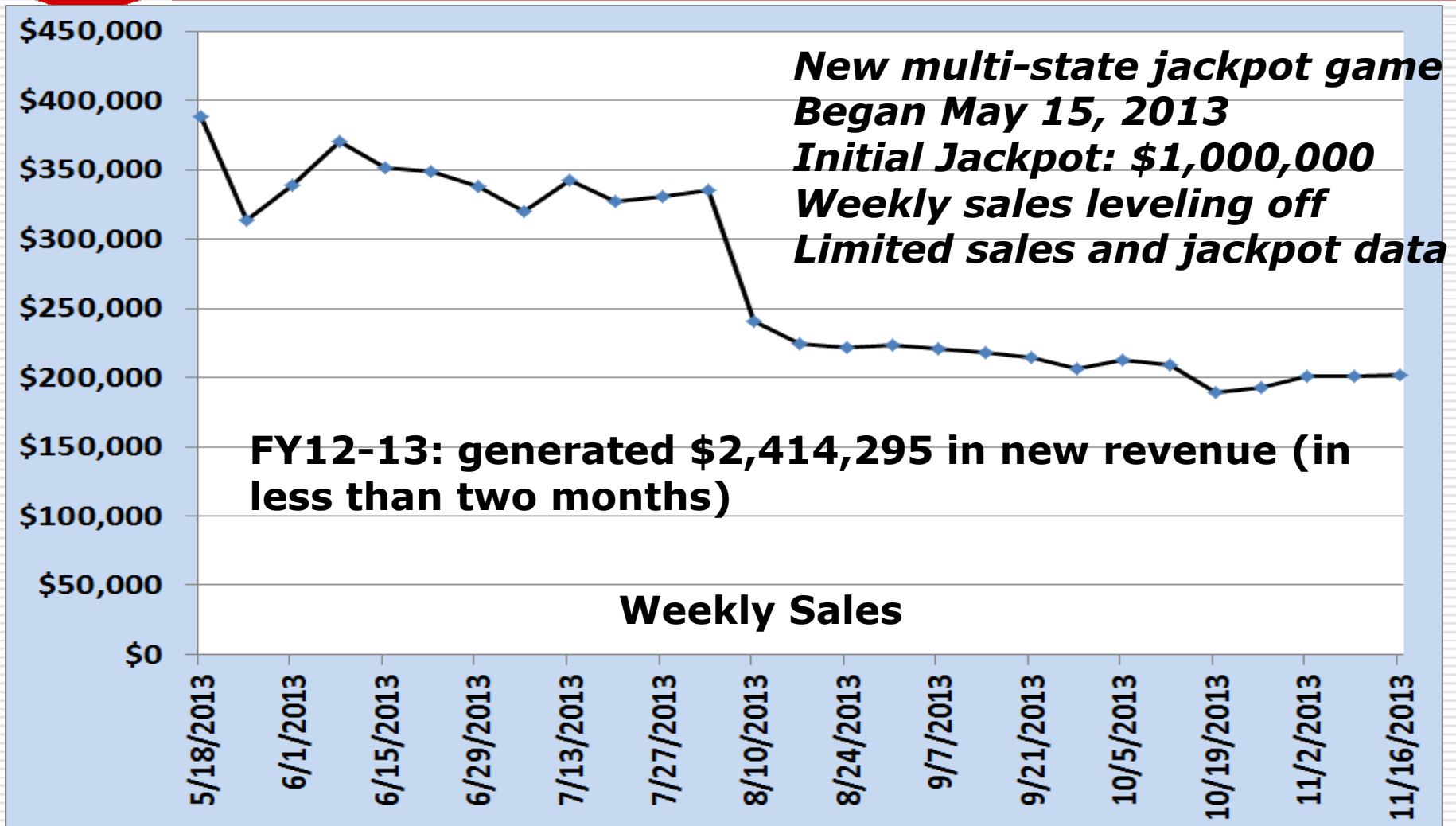
- *FY11-12 sales: \$53,957,595*
- *FY12-13 sales: \$31,920,994*
- *FY12-13 dollar growth: - \$22,036,601*
- *FY12-13 percent growth: - 40.8%*

<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$100.0 Million or More</i>	<i>Jackpot Winners</i>
<b>FY11-12</b>	<b>\$68,700,000</b>	<b>\$640,000,000</b>	<b>19</b>	<b>11</b>
<b>FY12-13</b>	<b>\$42,900,000</b>	<b>\$190,000,000</b>	<b>9</b>	<b>15</b>





# Hot Lotto (Since Inception)





## *Tennessee Cash Growth in FY12-13*

- *FY11-12 sales: \$19,222,943*
- *FY12-13 sales: \$24,871,472*
- *FY12-13 dollar growth: + \$5,648,529*
- *FY12-13 percent growth: + 29.38%*

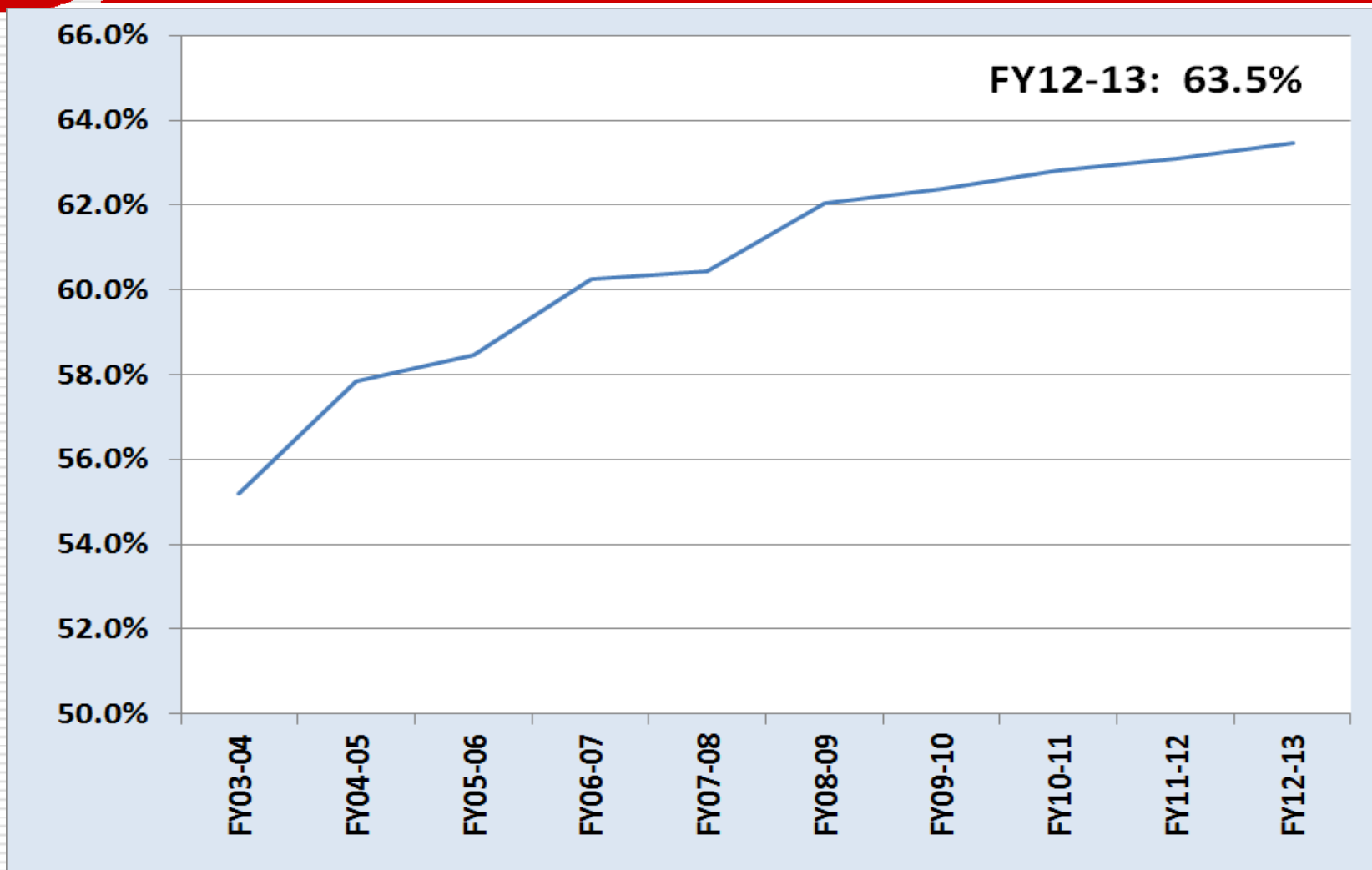
<i>Fiscal Year</i>	<i>Average Jackpot Cycle</i>	<i>Highest Jackpot Cycle</i>	<i>Drawings with Jackpots \$750,000 or More</i>	<i>Jackpot Winners</i>
FY11-12	\$378,600	\$977,862	8	18
FY12-13	\$514,400	\$2,219,462	28	11





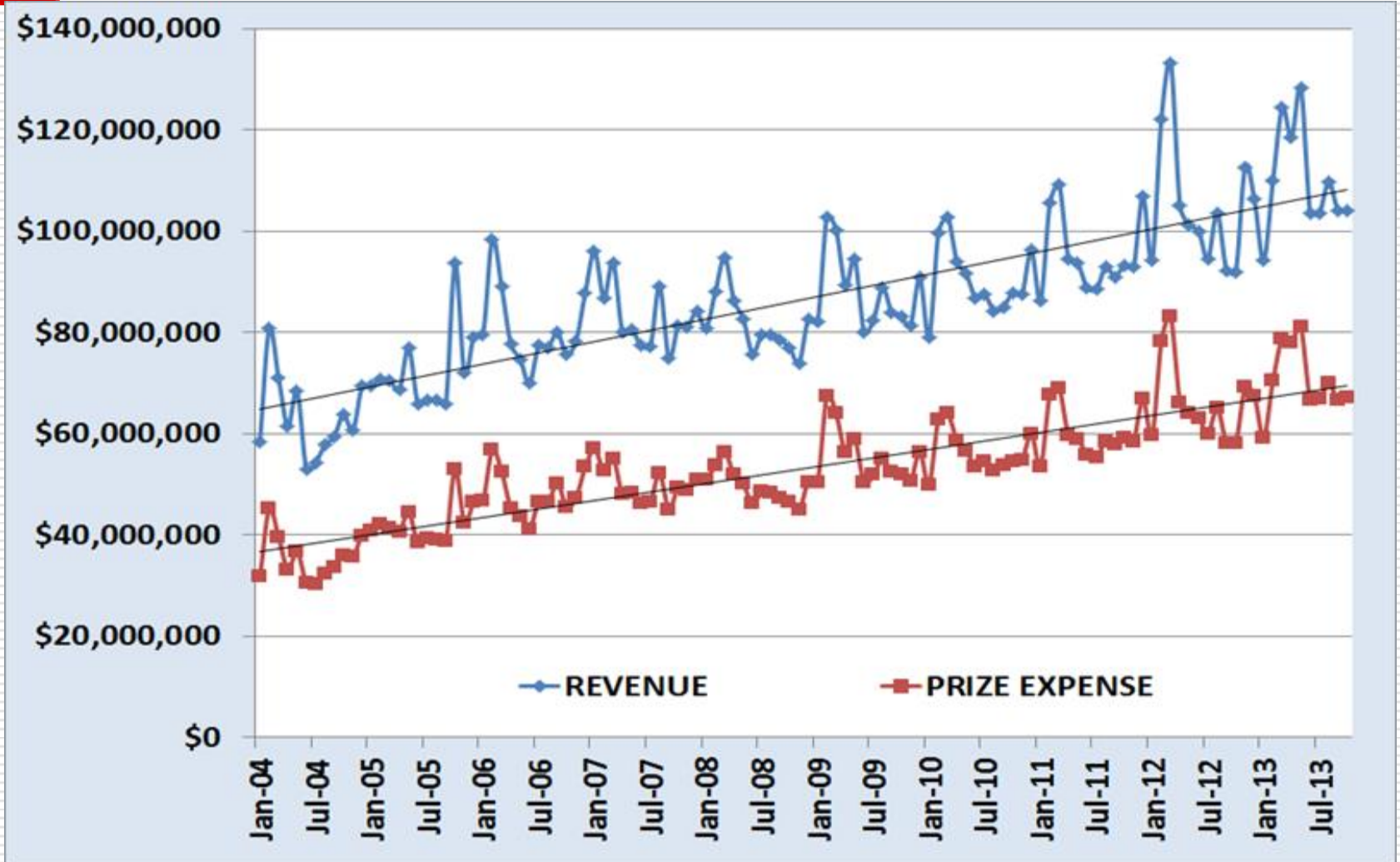


# *Prize Expense (as % of Revenue)*



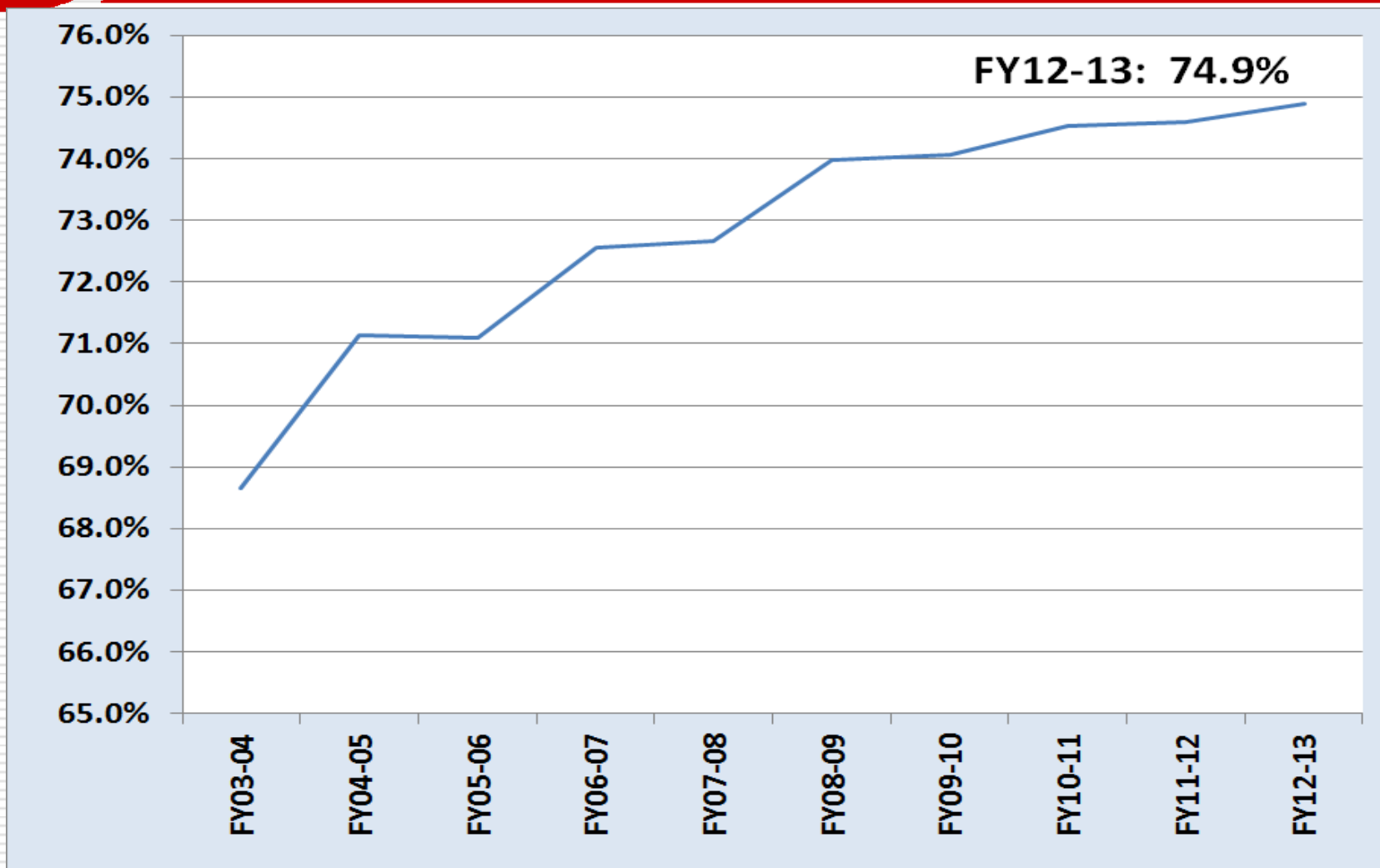


# *Revenue & Prize Expense (\$)*



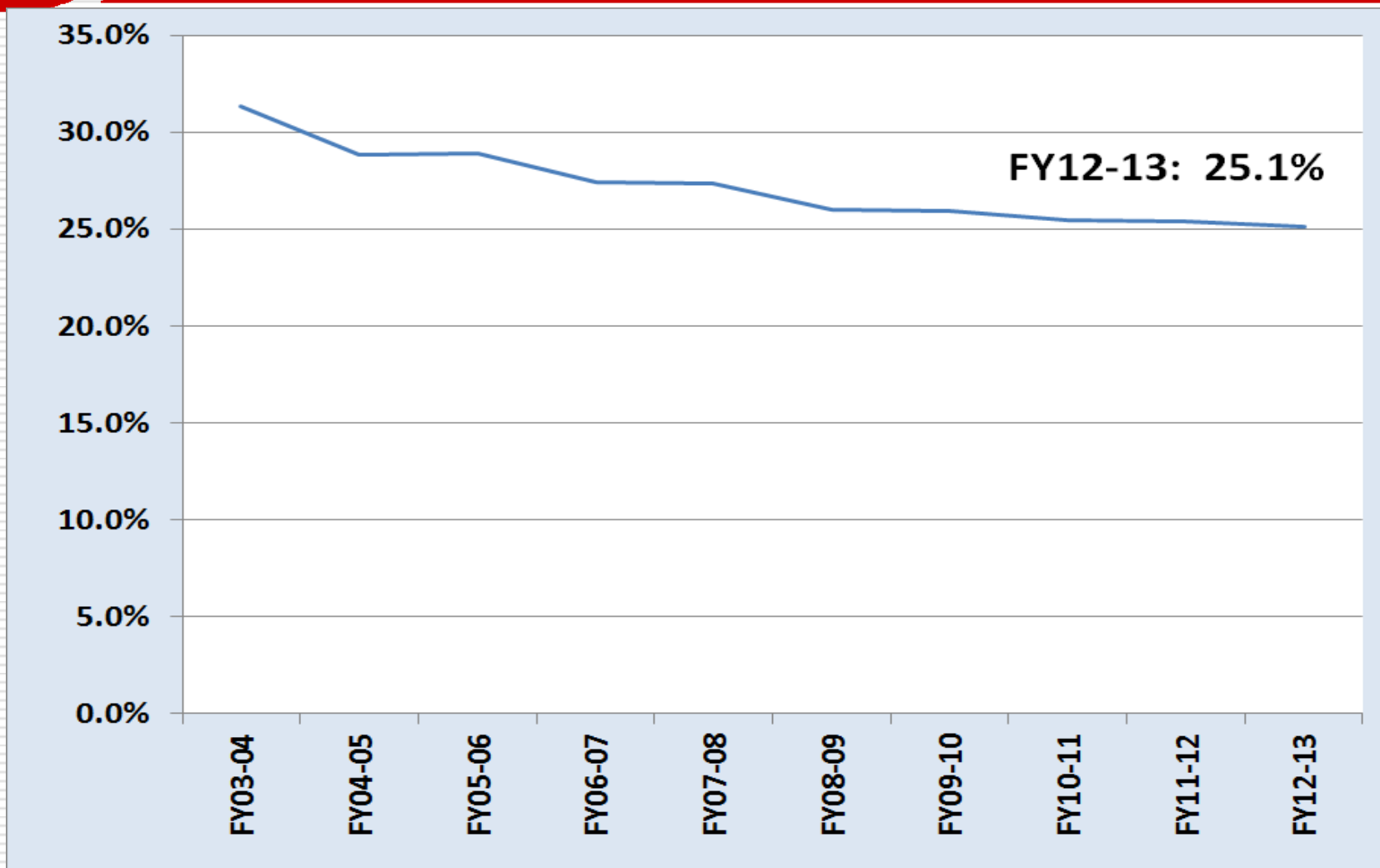


# *Total Expenses (as a % of Revenue)*





## *Net Lottery Proceeds (as a % of Revenue)*





## *Net Lottery Proceeds (\$ for Education)*

<u><i>Fiscal Year</i></u>	<u><i>Total \$</i></u>	<u><i>\$ Change</i></u>	<u><i>% Change</i></u>
FY03-04	\$123,271,644	N/A	N/A
FY04-05	\$227,423,212	\$104,151,568	84.5%
FY05-06	\$269,862,275	\$42,439,063	18.7%
FY06-07	\$271,968,491	\$2,106,216	0.8%
FY07-08	\$272,415,567	\$447,076	0.2%
FY08-09	\$265,486,128	<b>-\$6,929,439</b>	<b>-2.5%</b>
FY09-10	\$275,978,547	\$10,492,419	4.0%
FY10-11	\$281,846,371	\$5,867,824	2.1%
FY11-12	\$310,349,475	\$28,503,104	10.1%
FY12-13	\$321,542,321	\$11,192,846	3.6%





## *FY13-14: Year-to-Date*

- ☐ *As of October 31, 2013*
- ☐ *Total Net Revenue: + 10.3%*
  - *Instant Games: + 9.4%*
  - *Cash 3 and Cash 4: + 5.6%*
  - *Powerball, Mega Millions, & Hot Lotto: + 21.2%*
  - *Tennessee Cash: - 9.4%*
- ☐ *Total Expenses: + 12.2%*
  - *Prize Expense: + 12.0%*
  - *Total Expenses / Total Net Revenue: 75.6%*
- ☐ *Net Lottery Proceeds (NLP): + 4.79%*
  - *Net Lottery Proceeds / Total Net Revenue: 24.4%*







## *Assumptions for FY13-14*

- *No new multi-jurisdictional games*
- *No additional changes to PB, MM, or Hot Lotto*
- *No new TN-exclusive online games*
- *No changes to Cash 3, Cash 4, or TN Cash*
- *Launch of at least one spotlight instant game*
- *At least 1 PB jackpot cycle above \$300 million*
- *At least 1 MM jackpot cycle above \$150 million*
- *No extraordinary changes to the retailer base*
- *No legislative changes*
- *Total Expenses = 75.5% of Total Net Revenue*
- *Net Lottery Proceeds = 24.5% of Total Net Revenue*





## *FY13-14 Estimates*

	Low	Median	Upper
Instant Games (Net)	\$1,050,000,000	\$1,060,000,000	\$1,070,000,000
Cash 3 and Cash 4	\$85,000,000	\$86,000,000	\$87,000,000
PB, MM, and Hot Lotto	\$174,000,000	\$182,000,000	\$190,000,000
Tennessee Cash	\$21,000,000	\$22,000,000	\$23,000,000
Misc. Revenue	\$5,000,000	\$5,100,000	\$5,200,000
Total Net Revenue	\$1,335,000,000	\$1,355,100,000	\$1,375,200,000
Total Expenses (75.5%)	\$1,007,900,000	\$1,023,100,000	\$1,038,300,000
<b>NET LOTTERY PROCEEDS (24.5%)</b>	\$327,100,000	<u>\$332,000,000</u>	\$336,900,000
After-School Funding	\$13,000,000	\$14,000,000	\$15,000,000
<b>TOTAL STATE PROCEEDS</b>	\$340,100,000	<u>\$346,000,000</u>	\$351,900,000





# *Assumptions for FY14-15*

- *No new multi-jurisdictional games*
- *No changes to PB, MM, or Hot Lotto*
- *No new TN-exclusive online games*
- *No changes to Cash 3, Cash 4, or TN Cash*
- *Launch of at least one spotlight instant game*
- *At least 2 PB jackpot cycles above \$300 million*
- *At least 2 MM jackpot cycles above \$150 million*
- *No extraordinary changes to the retailer base*
- *No legislative changes*
- *Total Expenses = 75.7% of Total Net Revenue*
- *Net Lottery Proceeds = 24.3% of Total Net Revenue*





## *FY14-15 Estimates*

	Low	Median	Upper
Instant Games (Net)	\$1,090,000,000	\$1,100,000,000	\$1,110,000,000
Cash 3 and Cash 4	\$84,000,000	\$86,000,000	\$88,000,000
PB, MM, and Hot Lotto	\$170,000,000	\$182,000,000	\$194,000,000
Tennessee Cash	\$20,000,000	\$22,000,000	\$24,000,000
Misc. Revenue	\$5,100,000	\$5,200,000	\$5,300,000
Total Net Revenue	\$1,369,100,000	\$1,395,200,000	\$1,421,300,000
Total Expenses (75.7%)	\$1,036,400,000	\$1,056,200,000	\$1,075,900,000
NET LOTTERY PROCEEDS (24.3%)	\$332,700,000	<u>\$339,000,000</u>	\$345,400,000
After-School Funding	\$13,000,000	\$14,000,000	\$15,000,000
TOTAL STATE PROCEEDS	\$345,700,000	<u>\$353,000,000</u>	\$360,400,000





# *Subsequent Years*

- Growth beyond FY14-15 is difficult to forecast due to a number of unknown factors such as:
  - *Changes to payout ratios*
  - *Matrix changes to jackpot based games*
  - *Structure changes to pari-mutuel and online games*
  - *Legislative action*
  - *Varying jackpot cycles*
  - *New and discontinued games*
  - *Changes to retailer base*
  - *Changes in advertising*
  - *Changes in economy*
  - *Changes in gas prices*







## *FY15-16, FY16-17 and FY17-18*

*Estimated Growth for Total Net Revenue: 3.0% per year*

*Estimated Growth for Net Lottery Proceeds: 2.0% per year*

	FY15-16	FY16-17	FY17-18
Total Net Revenue	\$1,437,056,000	\$1,480,168,000	\$1,524,573,000
Total Expenses	\$1,091,276,000	\$1,127,472,000	\$1,164,823,000
Net Lottery Proceeds	<u>\$345,780,000</u>	<u>\$352,696,000</u>	<u>\$359,750,000</u>
After-School Funding	\$14,500,000	\$14,500,000	\$15,000,000
Total State Proceeds	<u>\$360,280,000</u>	<u>\$367,196,000</u>	<u>\$374,750,000</u>

